

Message Text

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12

ORIGIN L-03

INFO OCT-01 NEA-10 ISO-00 PM-07 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 OMB-01 IGA-02 /092 R

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APPROVED BY AID - MR. PARKER

ASIA/CD:GEVANS

GC/ASIA:MGKITAY

L/NEA:ATBROWN

NEA/INS:BLAINGEN

EB/IFD/ODF:ISGELBARD

TREASURY - MR. CANNER

AA/ASIA MACDONALD

ASIA/SA:HREES

PM:LMD:JTLGAKAS

EB:IFD:MLCASSE

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R 272316Z FEB 74

FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO

INFO AMEMBASSY NEW DELHI

C O N F I D E N T I A L STATE 039606

E.O. 11652: GDS

TAGS: EAID, CE

SUBJECT: MOV NEGOTIATIONS: REPAYMENT SCHEDULE

REF: STATE 11592

1. EXCHANGE RATE DISCUSSIONS WITH GSL PER REFTEL
SHOULD RESULT IN AGREED UPON AMOUNTS (CONSOLIDATED PRINCIPAL AND INTEREST) OWED TO USG AS OF DATE OF SUCH AGREEMENT.
CEYLON DESK OFFICER LEADER, ARRIVING COLOMBO FEB. 26,
IS BRINGING MATERIALS TO ASSIST EMB IN CALCULATION OF
AMOUNTS DUE AND COMPUTATION OF INTEREST FOR VARIOUS PERIODS
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INVOLVED UP TO THE PRESENT.

2. THIS MESSAGE AUTHORIZES EMB TO OFFER GSL EXTENDED TIME SCHEDULE UP TO FOUR YEARS FOR PAYMENTS OTHERWISE DUE UPON SETTLEMENT OF EXCHANGE RATE DISPUTE. IN NORMAL CIRCUMSTANCES USG WOULD EXPECT FULL REPAYMENT WITHIN "CONVENIENT PERIOD", NORMALLY 90 DAYS FROM DATE OF AGREEMENT ON EXCHANGE RATE. AN EXTENDED PAYMENT SCHEDULE CONSTITUTES A US CONCESSION IN NEGOTIATIONS AND SHOULD BE USED, AT EMB'S DISCRETION, FOR PURPOSE OF ENCOURAGING GSL AGREEMENT ON EXCHANGE RATE FAVORABLE TO USG.

3. GSL ARREARAGES COMPRISE (A) DEFERRED PAYMENTS OF PRINCIPAL AND INTEREST ARISING FROM SUSPENSION OF BILLINGS DURING PERIOD OCT. 13, 1970 TO DEC. 31, 1972; AND (B) SUPPLEMENTAL RUPEES OWED AS RESULT OF GSL PAYMENTS AT

OFFICIAL RATE OF EXCHANGE ON ICA AND DLF LOANS SINCE ADOPTION ON MAY 8, 1968 OF FEEC SYSTEM. SINCE LOAN AGREEMENTS ARE DOLLAR-DENOMINATED REQUIRING INVOICES FOR COLLECTION OF PRINCIPAL AND INTEREST TO BE STATED IN DOLLAR TERMS, ARREARAGES ON DEFERRED PAYMENTS CANNOT BE COMBINED WITH SUPPLEMENTAL RUPEE DEBT AND MUST BE TREATED SEPARATELY.

4. IN RESPECT TO BOTH SUSPENDED PAYMENTS AND SUPPLEMENTAL RUPEES (PARAS 3(A) AND (B), ABOVE), PAYMENTS SHALL BE MADE IN EQUAL INSTALLMENTS AT FIXED PERIODS THROUGHOUT THE EXTENDED PERIOD, TOGETHER WITH INTEREST ON THE UNPAID AMOUNT AT WEIGHTED AVERAGE INTEREST RATE OF 3.87 PERCENT PER ANNUM. (WEIGHTED AVERAGE RATE ARRIVED AT BY FINDING ONE YEAR'S INTEREST AT CONTRACTUAL RATE FOR EACH LOAN DURING PERIOD OF SUSPENSION AND DIVIDING TOTAL INTEREST BY CONSOLIDATED SUSPENSION PERIOD DEBT ESTIMATED TO BE DOLS. 1.513 MILLION AS OF DEC. 31, 1972.)

5. EXCEPT AS MODIFIED PURSUANT TO EMB'S DISCUSSIONS ON EXCHANGE RATE OR THESE INSTRUCTIONS, THE OUTSTANDING ICA AND DLF AGREEMENTS WILL CONTINUE TO BE ENFORCED IN ACCORDANCE WITH THEIR TERMS.

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6. EMB SHOULD REPORT TERMS OF REPAYMENT ACCEPTABLE TO GSL AND USG NEGOTIATORS FOR DEPT APPROVAL PRIOR TO FINAL AGREEMENT. CASEY

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